



Forfeitures

- A forfeiture is a loss of entitlement to pay that results from legal action.
- Partial forfeiture is due over an expressed period of time.
- Forfeitures in addition to confinement not suspended are due on and after the date the sentence has been approved.

Pay Subject to Forfeiture

- 1. Basic Pay
- 2. Career Sea Pay
- 3. Hardship Duty Pay



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CPL ROCK was awarded a forfeiture of \$250.00 for 3 months totaling \$750.00. Because of the forfeiture, CPL ROCK is now in an over allotted status. Member must terminate or reduce some of the allotments until the forfeiture has been collected.

Forfeiture of Pay

Forfeitures, other than total forfeitures, do not apply to special (other than sea or hardship duty pay) or incentive pay.

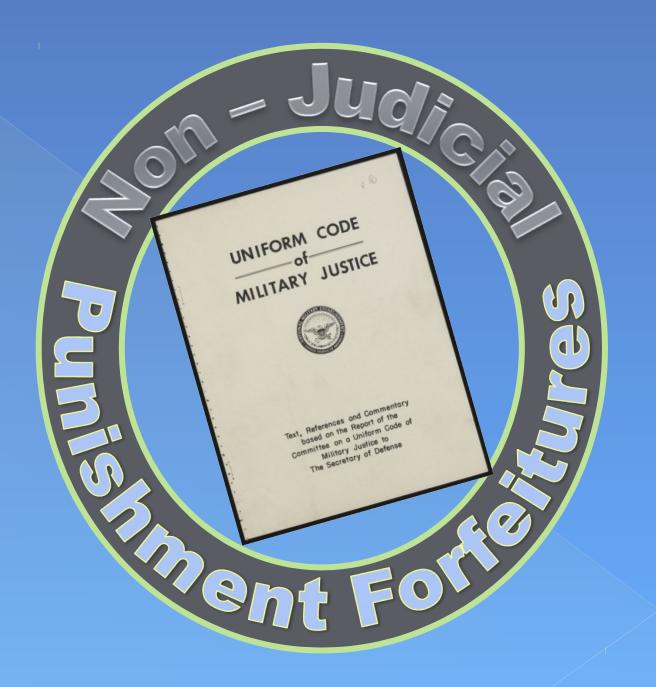
By law, the maximum amount that can be withheld from a Marine's pay is an amount equal to 2/3 of the member's gross pay.

Amount Withheld

Forfeiture reduces the amount of pay that is taxed for that month. This applies to Federal, State and FICA.

- when two or more sentences require forfeiture for concurrent periods, the amount stated in each sentence is forfeited only for the specified period.





Article 15, Uniform Code of Military Justice (UCMJ) authorizes commanders to impose non-judicial punishment for minor offenses.

Non-judicial punishments that affect pay are....

- ✓ forfeiture of pay
- ✓ reduction in grade
- ✓ or combinations of these

Maximum forfeiture of pay is based on grade and position of the officer imposing the NJP.

Effective dates for forfeiture and reduction are effective on the date the commander imposes the punishment.

Punishments that affect pay are forfeitures of pay, reduction in grade, or combinations of these.



Collection of Forfeitures

- Forfeitures constitute a loss of pay. Therefore they take precedence over allotments, all other debts are charged against a member's pay until fully satisfied.
- Forfeitures are prorated for the month that they apply to.

LCpl Jackson is awarded a forfeiture of \$100.00 for 2 months for a total of \$200.00 with an effective date of 20**0117.

Step 1: List the given information.

Rate = \$100/month

Total Forfeiture = \$200

Effective Date = 20**0117

Step 2: Identify the Unknown

Deduction amount for:

- > Jan ?
- > **Feb** ?
- Mar ?

Step 3: Solve for the Unknown

January

How many days chargeable?

$$(1/30 - 1/17) + 1 = 14$$
 days

Find daily rate:

$$$100 \div 30 = $3.33333$$

Multiple rate by # of days

$$($100 \div 30) \times 14 \text{ days} = $46.67$$

February

Full monthly rate of \$100

March

Find the amount remaining?

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$200.00 (Total forfeiture)
$46.67 (Jan)
- $100.00 (Feb)
$53.33 (Mar)
```

Collection of Forfeitures

-If member is in a Non-Pay Status pay does not accrue; therefore, forfeitures cannot be applied.

Restoration to Duty

-When restored to duty after a nonpay status, forfeitures may apply.

Only Court-Martial Forfeitures:

- When two or more court-martial sentences require forfeiture for concurrent periods the amount is computed on a daily basis, not to exceed the two-thirds rule.

Mixed court martial & NJP forfeitures:

- When the non judicial punishment forfeitures run concurrently with partial court martial forfeitures, the maximum amount collectible is 2/3 of pay.

Only NJP forfeitures:

- For Navy and Marine Corps members non-judicial forfeitures **DO NOT** run concurrently. If a forfeiture is imposed while another is in effect it will commence after the prior forfeiture is complete.



Suspension/Cancellationof Forfeitures

- Death or Separation of a member under a suspended sentence is a complete remission of the sentence. If the sentence is not suspended, the remaining balance is canceled.
- -Vacation of suspension: when the suspension is vacated the un-collected amount is revived and collected effective the date of vacation.

PFC Cantgetright was awarded a forfeiture of \$250.00 a month for 2 months effective 20**0103. On 20**0218 PFC Cantgetright was discharged.

Step 1: List the given information

Rate = \$250/month

Effective Date = 200*0103

Discharge Date = 200*0218

Step 2: Identify the Unknown Deduction amount for:

- > Jan ?
- > Feb ?

Step 3: Solve for the Unknown

JANUARY

How many days chargeable?

$$(1/30 - 1/3) + 1 = 28$$
 days

Find daily rate:

$$$250 \div 30 = $8.33333$$

Multiple rate by # of days

$$($250 \div 30) \times 28 \text{ days} = $233.33$$

FEBRUARY

How many days chargeable?

$$(2/18 - 2/1) + 1 = 18$$
 days

Find daily rate:

$$$250 \div 30 = $8.33333$$

Multiple rate by # of days

$$($250 \div 30) \times 18 \text{ days} = $150.00$$

Practical Application!



Financial Management School



Serviceman's Group Life Insurance (SGLI)

Every member is insured automatically for \$400,000.00 unless the member elects a lower coverage or no coverage.

Marines may change their coverage at any time. Coverage is effective on the date of entry on active duty.

SGLI

```
$13.00 = $200,000.00
$9.75 = $150,000.00
```

SGLI

Monthly deductions are <u>NOT</u> prorated for partial months.

Deductions start on the first day of the month of active duty. So if the Marine enlists on 18 January, the deduction will be for the entire monthly amount.

Traumatic SGLI

- •Effective December 1, 2005, ALL members covered by SGLI program will be automatically covered under TSGLI.
- Provides payments to severely injured members, loss of limb or serious trauma
- Members must decline SGLI to cancel TSGLI

Family SGLI

Effective 1 November 2001, spouses and

dependent children are insured

- •Member must be enrolled in SGLI fulltime
- Spouse is covered for 100,000
- Children are covered for 10,000

Family SGLI

Age Group	Old Rates (Per \$10,000)	New Rates (Per \$10,000)	New Rates (\$100,000 Coverage)
Under 35	\$0.55	\$0.50	\$5.00
35-39	0.70	0.65	6.50
40-44	0.90	0.85	8.50
45-49	1.40	1.30	13.00
50-54	2.70	2.50	25.00
55-59	4.00	3.70	37.00
60 & Up	5.20	5.00	50.00

Financial Management School



Dependent Dental Plan (DDP)

.....is a voluntary dental plan available to family members of all Active Duty Uniformed Service personnel and to Selected Reserve and Individual Ready Reserve (IRR)

Dependent Dental Plan (DDP)

There are two monthly rates of deduction for this coverage.

Individual (1 depn) Family Coverage \$12.69 \$31.72

Like SGLI, DDP is <u>NOT</u> prorated.



Armed Forces Retirement Home

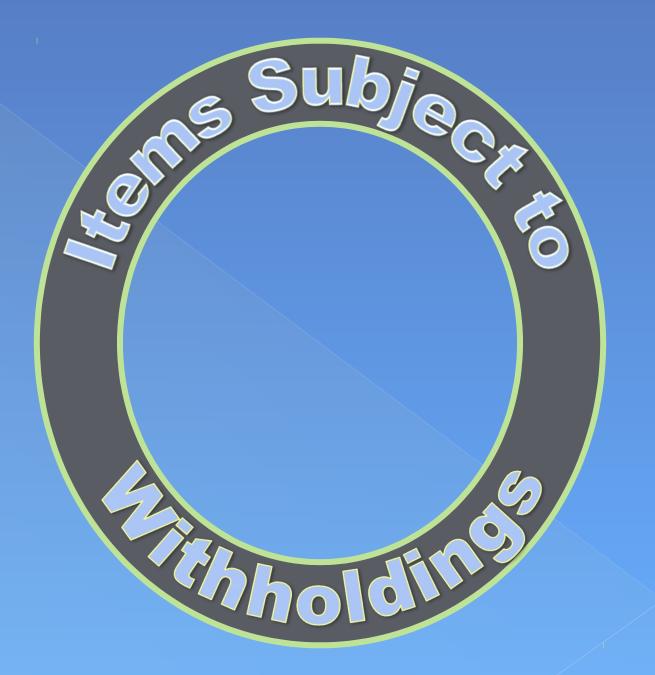
An automatic deduction of \$0.50 is withheld from all enlisted Marines, warrant officers, and Limited Duty Officers of the regular Marine Corps.

Do not prorate this deduction.

Practical Application!



Financial Management School



Taxable Items for Federal and State Income Tax

Basic Pay

Special Pay



Incentive Pay for Hazardous Duty

Taxable Items for Federal and State Income Tax

The following are taxed at the Federal (25%) and applicable State Flat Tax Rates:

- Lump Sum Leave (LSL)
- Separation, Readjustment or Severance Pay
- Selective Reenlistment Bonus

Taxable Items for Federal and State Income Tax

Items that reduce taxable wages:

- Pay forfeited by courts-martial or NJP sentences is not subject to Federal or State income tax.
- The Montgomery G. I. Bill reduces the member's taxable income for each month in which it is deducted.



THRIFT SAVING PLAN (TSP)

 TSP is a Government-sponsored retirement savings and investment plan.

 The plan offers tax deferral advantages similar to those offered by private corporations to their employees under 401(k) plans.

THRIFT SAVING PLAN (TSP)

NON TAXABLE: FITW AND SITW ONLY

IS NOT PRORATED: FULL AMOUNT COMES OUT PER MONTH

COMPUTING TSP

Compute TSP for a Sergeant (> 4) with no special or incentive pay who has elected 7% of basic pay for TSP.

Basic Pay: \$2,448.30

• TSP: **7%**

COMPUTING TSP

Step 1 - Determine the elected percentage of TSP.

TSP percentage = 7% of Basic pay

Step 2 - Compute TSP percentage.

 $$2,448.30 \times 7\% = 171.38

COMPUTING TSP

- Step 3 Compute taxable income.
- \$2,448.30 \$171.38 = \$2,276.92
- \$2,276.92 is taxable by FITW, SITW, & FICA
- \$171.38 (Non-taxable by FITW & SITW) is total elected to TSP

Example



COMBAT ZONE TAX EXCLUSION

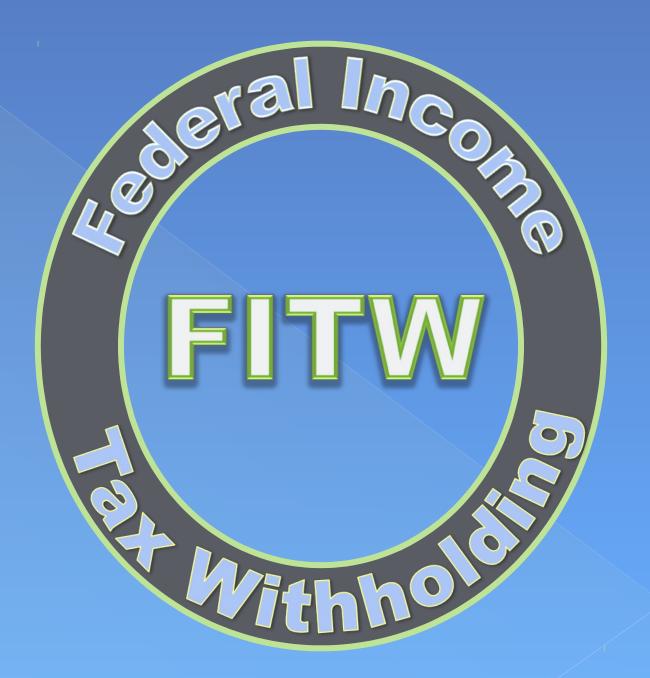
Members located in designated Combat Zone Tax Exclusion areas are exempt from paying federal and state taxes on all income not to exceed \$7,714.80 (E9S JUP)

COMBAT ZONE TAX EXCLUSION

- 1. Effective January 1, 1996, the maximum number of days that may be earned for any month is 2.5 days.
- 2. Leave will be charged first to a member's combat leave balance until it is exhausted.
- 3. CL balance is maintained separately in MCTFS for a reduction in monthly taxable income



Financial Management School



To compute federal income tax withholding (FITW), refer to the APSM Appendix D.

January 1, 2011

STEP 1 Determine the taxable income.

STEP 2 Subtract the standard deduction.

If the Federal exemption is: then the standard deduction is:

0	0.00
1	3,700.00
2	7,400.00
3	11,100.00
4	14,800.00
5	18,500.00
6	22,200.00
7	25,900.00
8	29,600.00
9	33,300.00
10	37,000.00

11 or more Multiply the amount of one withholding allowance for specific payroll period by the number of allowances claimed.

Step 1

Determine Taxable Income

Step 2
Compute the Annualized Income = monthly taxable income X 12

Step 3
Identify the Federal Tax Exemption
(LES block 34)

Step 4

Find the Standard Deduction = exemptions X \$3700

Step 5

Subtract the standard deduction from the annualized income

Step 6

Locate appropriate tax rate from the tax table (APSM Appendix D)

Step 7

Compute annual taxes by reading the chart from right to left

Step 7a.

Subtract "of excess over" amount from income.

Step 7b.

Multiply resultant from 7a above by percentage on chart.

Step 7c.

Add the amount to the left of the percentage to the answer from 7b.

Step 8

Divide the annual taxes (Step 7) by 12 to arrive at the monthly tax amount.

EXAMPLE

Sergeant (> 6) with no special or incentive pay, claiming M-2 for federal exemptions

BP: \$2620.20

EXEMPTIONS: M-2 (BLK 34)

Step 1

Determine Taxable Income Base Pay = \$2620.20

EXAMPLE

Step 2

Compute the Annualized Income = monthly taxable income \times 12 = 2,620.20 \times 12 = \$31,442.40

Step 3

Identify the Federal Tax Exemption
Income and taxes section of
the LES = M-2

EXAMPLE

Step 4

Find the Standard Deduction = exemptions X \$3700.00

 $2 \times \$3,700.00 = \$7,400.00$

Step 5

Subtract the standard deduction from the annualized income \$31,442.40 - \$7,400.00 = \$24,042.40



Step 6

Locate appropriate tax rate from the tax table (APSM Appendix D)



Step 7

Compute annual taxes by reading the chart from right to left

Step 7a.

Subtract "of excess over" amount from income.

\$24,042.40 - \$7,900.00 = \$16142,40



Step 7b.

Multiply resultant from 7a above by percentage on chart.

```
16142.40

\underline{X} 10% (10% = .1)

$1,614.24
```



Step 7c.

Add the amount to the left of the percentage to the answer from 7b.

1,614.24

<u>+</u> \$0.00

1614.24



Step 8

Divide the annual taxes (Step 7) by 12 to arrive at the monthly tax amount.

$$$1614.24 \div 12 =$$

\$134.52



Completing Income and Taxes section of the LES

TXBL INC THIS PERIOD - any taxable entitlements earned in the month

TAXABLE INC YTD - equals any taxable entitlement added to previous month

FEDERAL TAX YTD - equals taxes from current month plus prior month

Practical Application!



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State Taxes

State of legal residence is the state for tax purpose, regardless where the Marine is stationed.

Legal residence is designated at the time a member enters into the service. This may be changed by the member completing a DD Form 2058.

Completing Income and Taxes section of the LES

STATE WAGES YTD - equals any taxable entitlement added to previous month

STATE TAX YTD - equals taxes from current month plus prior month State code changed:

State wages YTD and state tax YTD will restart as if it was January due to the new state code.

Practical Application!



Financial Management School



Federal Insurance Contributions Act (FICA)

FICA is composed of <u>Social Security</u> and <u>Medicare</u>.

 All armed forces members are subject to FICA tax, to include those in a Combat Zone Tax Exclusion Area.

Taxable Wages for FICA

Basic Pay only!

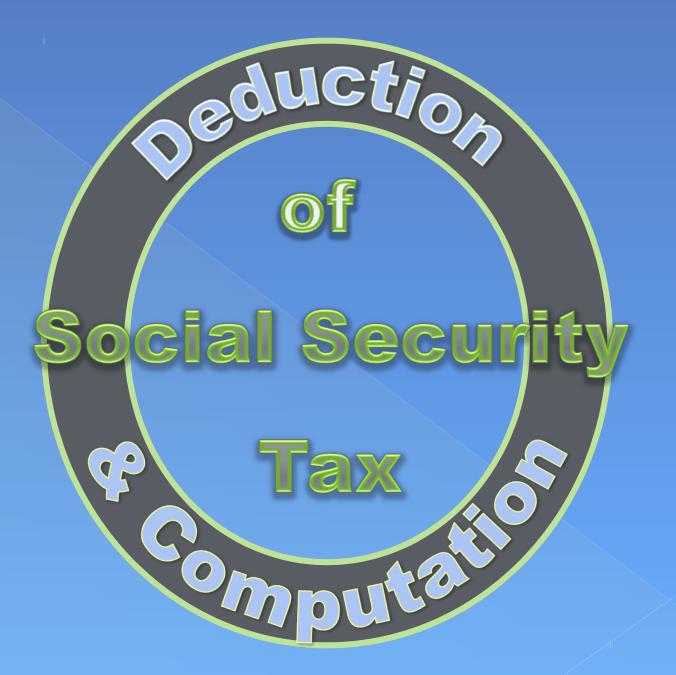
The Montgomery G.I. Bill and any forfeitures will reduce the member's taxable income for that specific month.

Amount of withholding for FICA

FICA is deducted on a year to date basis at the rate of 5.65%.

Of the 5.65%, 4.2% is for Social Security and 1.45% is for Medicare.

As of January 1, 2011, the maximum taxable wages for Social Security is \$106,800.00 and maximum tax is \$4,485.60.



Social Security and Medicare Tax are computed on a Year-to-Date basis.

```
SocSec Wgs YTD (prev LES)
                              $0.00
Wgs this Prd
                            + $1838.70
SocSec Wgs YTD
                             $ $1838.70
Multiply by 4.2%
                                 4.2%
SocSec Tax YTD
                                77.23
SocSec Tax YTD (prev LES)
                                 0.00
Social Security Tax withheld
                               $ 77.23
in the deduction section of
current LES.
```

Social Security and Medicare Tax are computed on a Year-to-Date basis.

```
Medicare Wgs YTD (prev LES)
                               $0.00
Wgs this Prd
                            + $1838.70
Medicare Wgs YTD
                               $1838.70
Multiply by 4.2%
                                 1.45%
SocSec Tax YTD
                              $ 26.70
SocSec Tax YTD (prev LES)
                                 0.00
Social Security Tax withheld
                               $ 26.70
in the deduction section of
current LES.
```

Practical Application!





Liquidation of Indebtedness

Liquidation allows a Marine to repay a debt over a period of time instead of all at once.

Substantiation documentation is a NAVMC 11116.

Disposable Pay

Disposable pay is used to calculate maximum allowable deductions. It is computed by deducting the following from "basic pay": FICA, FITW, SITW, DDP, SGLI, and TSP.

EXAMPLE

BASIC PAY

FITW

SITW

FICA

DDP

SGLI

Ret. Home

1427.40

- 150.36

- 0.00 (FL)

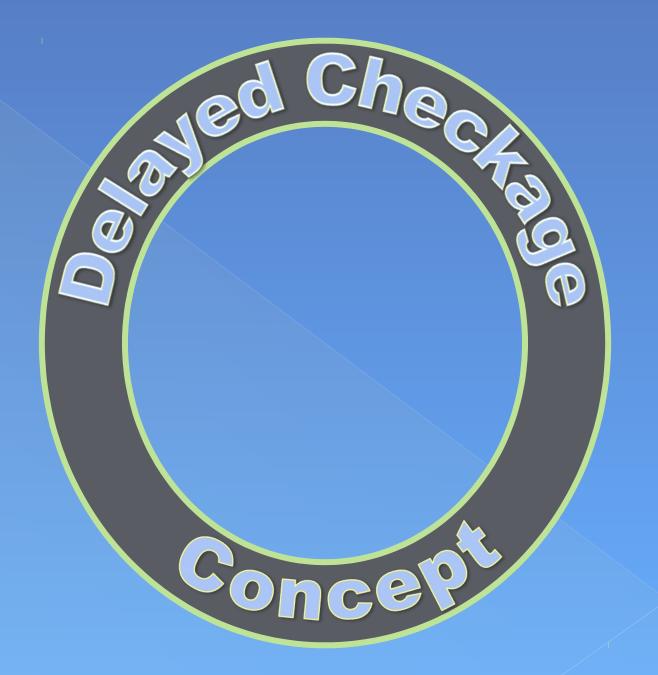
- 109.20

- 11.05

- 28.00

- .50

DISPOSABLE PAY \$1128.29



Delayed Checkage Concept

This provides a means for notifying Marines of an impending one-time checkage before anything is withheld from their pay.

This informs the Marine when the deduction will commence.

Delayed Checkage Concept

Automatically establishes a liquidation schedule if the checkage amount is greater than one-third of the Marine's disposable pay.

Deducts the amount due following the delay period when the debt is greater than \$50.00 but less than one-third of the Marine's disposable pay.

Delayed Checkage Concept

Collects the amount due by monthly installments following the delay period when the debt is greater than one-third of the Marine's disposable pay.

Collection

All suspended checkages will be collected on the mid-month payday following the delay period with the following conditions.....

- 1) Debts must be greater than \$50.00.
- 2) For automatic liquidation schedules, the member
 - must pay the debt prior to discharge.
- 3) Installment amounts will not be less than \$100.00.
- 4) Multiple delayed checkages will be processed consecutively, first-in, first-out.

Diary Entries

TTC/SEQ 532/000 STOP/ DEL CKG LIQ-\$ (1) . / (2) \ (3)

TTC/SEQ 559/000

CHEK/ LIQ OF INDEBT
\$_(1) . __(\$_(2) . _) / _(3) _ / _(4) _ .

Message on LES for no liquidation schedule:

"A \$_____. Checkage ed <u>yyyymmdd</u> for _____ has been suspended. It will be deducted from your <u>yyyymmdd</u> payday. Liquidation schedules are not automatically established."

Message on LES for system generated liquidation schedule:

"A liq of indebt has been generated for the \$_____ Suspended checkage ed yyyymmdd. The 1st monthly deduction of \$_____ Will begin on your _____ 15 payday unless an alternate liquidation schedule is established by yyyymmdd."

Automatic Computation of Installments

Checkage must exceed one-third of the net disposable pay.

The installment amount is established at onesixth of the net disposable pay, but no less than \$100.00 minimum deduction.

Establishing an alternate liquidation schedule

Substantiation is a NAVMC 11116 from the Marine's Commanding Officer containing the amount of indebtedness and the requested number of months to be paid back in.

The monthly payback will be the greater of: Suggested monthly payback, 1/10 Net Disposable Pay, or \$100

EXAMPLE

BASIC PAY	1644.90
FITW	150.36
SITW	0.00
FICA	109.20
DDP	12.69
SGLI	26.00

MBR'S REQUESTED PAYBACK

\$600.00/8=\$75.00

DISPOSIBLE PAY 1346.65

1346.65 / 10 = (134.66)



Utilizing the TTC codes 532 and 559, stop the automatic liquidation schedule and start the new liquidation schedule.

Practical Application!



Financial Management School

SUMMARY

What have we covered?

- 1. Basic Pay
- 2. BAS
- 3. BAH
- 4. Creditable Service
- 5. Deductions
- 6. Leave
- 7. Special Pay
- 8. Elapse Time
- 9. FSA

SUMMARY

What have we covered?

- 10. CRA
- 11. Forfeitures
- 12. Taxes
- 13. SGLI
- 14. DDP
- 15. TSP
- **16. CZTE**
- 17. FICA
- 18. Liquidation of Indebtedness